FARMERS' NEWSLETTER
Soybeans

0-7

May 79/0-7

Despite the big acreage increases farmers have planned for soybeans and a couple of other oilseed crops this spring, the market is signalling a strong price outlook for the rest of this marketing year and the coming one as well.

So even as you work to get your crop in the ground, keep a close eye on what market prices are doing--and start planning your sales strategy.

This newsletter will give you an idea of how supplies, demand, and prices may shape up.

Sharp Surge in Acreage

Farmers reported in early April that they planned to expand 1979 oilseed acreage to a record 90.5 million. That is about 8 million--10 percent--more than last year.

Soybeans account for 60 percent of the increase, sunflowerseed for 27 percent, and cottonseed about 13 percent. Peanut acreage is holding steady but cuts are planned for flaxseed.

Soybean growers intend to plant 68.8 million acres, up 4.8 million. At this level, soybean plantings will rank behind only corn and wheat. Soybean acreage is expected to be up in all the major producing regions.

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Double cropping of soybeans after wheat is also expected to pick up. Last year farmers double-cropped about 5 percent of the soybean area. But this year's bigger wheat acreage and the strong prices for soybeans likely will encourage more of it.

In fact, double cropping could come close to matching 1976, when a tenth of the soybean area, or 5 million acres, was planted after the harvest of another crop.

Strong prices are giving soybeans a decided edge over feed grains, wheat, and cotton.

The soybean/corn price ratio in late April stood at 2.8 to 1--which favors soybean plantings. (A ratio of 2.5 to 1 is sometimes considered the breakeven point.)

For the new crop, the price ratio for November 1979 soybeans versus December corn is about 2.6 to 1, still "go" for soybeans.

PROSPECTIVE OILSEED ACREAGES UP SHARPLY

	1978[1]	1979[2]	Change 1979/78
	Million acres		Percent
Soybeans	64.0	68.8	7.4
Cottonseed	13.4	14.4	7.7
Sunflowerseed[3]	2.8	4.9	75.3
Peanuts	1.5	1.5	0
Flaxseed	0.9	0.8	-6.0
Total	82.6	90.5	9.5

[1] Preliminary. [2] April 1 Planting Intentions. [3] Four States.

A wet spring might encourage even more soybean acreage since beans can be planted later than corn.

Market Outlook: Another Good Year Ahead

No letup in global demand for U.S. oilseeds is in sight. In fact, use should stay strong enough in the coming season to keep average prices near the relatively high levels of this season, even with the big increase in acreage that's in prospect.

Much depends on weather, of course.

If growing conditions are particularly good at home and abroad, the 1979/80 U.S. soybean supply could total as much as 2.2 billion bushels. That would be a tenth larger than supplies during the current marketing year.

Our domestic use would rise, but our exports might not because of big crops overseas.

Thus, the U.S. carryover could climb as high as 250 million bushels and it's possible prices would drop.

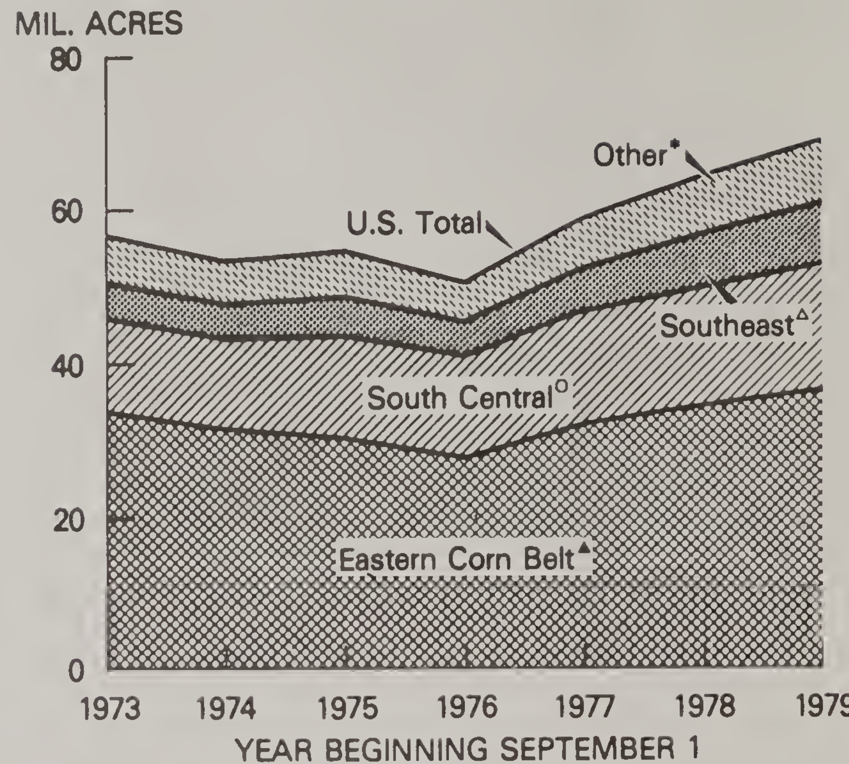
In contrast, bad weather could hold U.S. supplies at 1.9 billion bushels, about 3 percent less than this season.

The tight supplies and higher prices (which could reach about $9 a bushel), would curtail our domestic use. However, our exports would rise because of small competing crops around the world.

Total U.S. use would be limited to about 1.8 billion bushels, leaving carryover stocks on September 1, 1980 at a very tight 120 million bushels.

Odds favor an outcome somewhere between these two extremes, with the crop about matched by use and prices averaging near this season's estimated $6.75 a bushel.

SOYBEAN PLANTINGS HEADED FOR NEW HIGH



* Western Corn Belt States and all other.
△ North Carolina, South Carolina, Georgia and Alabama.
○ Arkansas, Louisiana, Mississippi, Kentucky and Tennessee.
▲ Illinois, Indiana, Iowa, Missouri, Minnesota and Ohio.
1979 Based on April 1 Planting Intentions

LARGE SOYBEAN SUPPLY IN PROSPECT FOR COMING MARKETING YEAR

Year beginning September 1	1977/78	1978/79[1]	1979/80 Projected[2] Alt. I	Alt. II
		Million bushels		
Beginning	103	161	140	140
Production. . . .	1,762	1,843	2,070	1,800
Total supply. .	1,865	2,004	2,210	1,940
Crushings.	927	1,010	1,060	900
Exports.	700	800	815	835
Seed, etc..	77	79	85	85
Total use. . . .	1,704	1,889	1,960	1,820
Imbalance	---	[3] 25	0	0
Ending stocks . .	161	140	250	120
		Dollers per bushel		
Ferm price	5.88	6.75	5.75 to 6.25	8.00 to 10.00
Loan rate.	3.50	4.50	4.50	4.50

[1] Preliminery. [2] Alternetive I reflects fevorable production conditions worldwide; Alternetive II essumes unfevorable production conditions worldwide. [3] Quantity needed to belence reported supply and estimeted use and ending stocks.

Old Crop Beans Commanding High Prices

If you've still got old-crop soybeans to sell, you're in a pretty good situation.

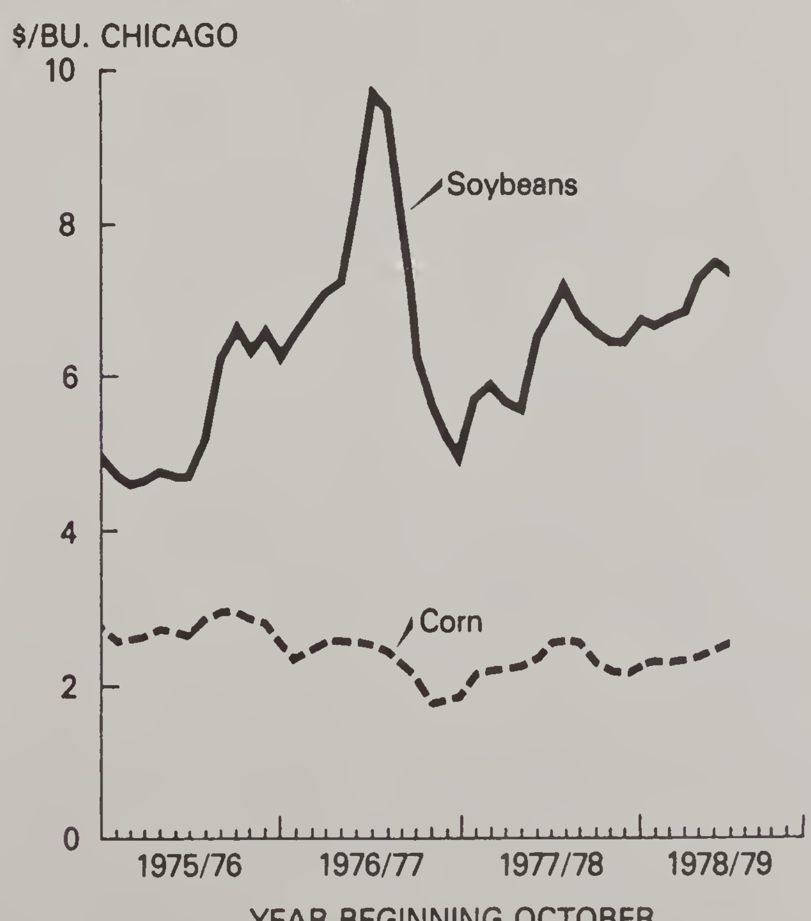
Supplies toward the end of the marketing year are going to be tight. The carryover this September 1 is expected to total only about 140 million bushels, less than 1 month's average needs. And as you know, new crop beans aren't available in volume until October.

Prices this spring and summer will be mirroring the tight supplies. Farm prices are now averaging about $7 a bushel, up from $6.19 at the start of the marketing year.

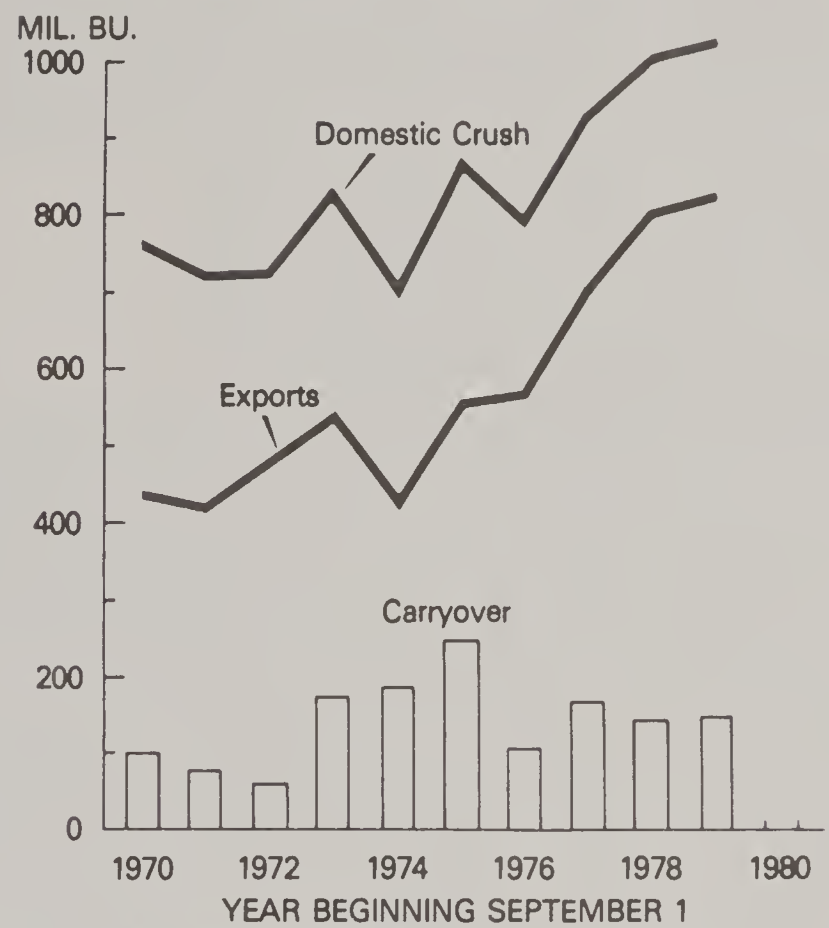
They seem slated to run near the $7-level in coming months, up about 8 percent from the April-August average last year.

The domestic crush in the current marketing year will total over 1 billion

CURRENT PRICES FAVOR SOYBEAN PLANTINGS OVER CORN



SOYBEAN USE ADVANCING SHARPLY*



*Excludes planting seed and soybeans used as feed.

bushels, an all-time high and some 9 percent above the 927 million bushels of last season.

The crush rate should continue heavy this spring, but may sag more than usual this summer, reflecting the smaller supplies which will be available for crushing.

Record domestic demand for both soybean meal and oil, along with relatively favorable processing margins, are stimulating the crush.

Exports look unusually good, too. They will total around 800 million bushels, which is about 100 million bushels more than last year.

We have been virtually the only major world supplier of soybeans this marketing year. Tight supplies limited Brazil's competition at a time of expanding world demand for soybean meal and oil.

West Europe, Japan, Taiwan, and the Soviet Union are the major importers of our soybeans.

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Sunflowers: Catching on Fast

Sunflowers are no rival for soybeans yet, but they are catching on far faster than soybeans did right after their U.S. introduction. Planned acreage is up a whopping 75 percent from last year, which may push 1979/80 supplies over 3 million metric tons. Supplies this season total 1.9 million.

Farmers in the big four sunflower States (North and South Dakota, Minnesota, and Texas) are planning on 4.9 million acres--with 95 percent seeded to oil varieties (40-45 percent oil).

Farmers grow sunflowers primarily on the northern fringes of the Corn Belt where soybeans and corn don't do very well, either because of the short growing season or too little rain during critical periods.

A hefty gain in prices over the past year has helped generate grower enthusiasm, too. No. 1 oil-type sunflowerseeds were selling for 13.8 cents a pound at Duluth in April, up from 10 cents a year earlier.

Sunflowerseed acreage gains this year will likely be at the expense of oats, barley, and flaxseed.

The lion's share--possibly as much as three-fourths--of the U.S. crop will probably wind up overseas. The big buyers: West and East Europe, Mexico, and Venezuela.

Domestic crushing capacity is expanding, but there still aren't many mills handling sunflowerseed. Of the 15 processing sunflowerseed this season, two-thirds are cottonseed mills in the South which handle sunflowerseeds part-time. The remainder are in Minnesota and they handle sunflowerseed from the Red River Valley.

BIG GAINS SEEN FOR PRODUCTION OF OIL-TYPE SUNFLOWER SEED